INVESTMENT CONSULTANTS

(A Registered Investment Advisor)

From: Bill Gela, Investment Consultants ***July 12, 2017***
Topic: The Broaster Company 401(k) Plan – Quarterly Plan Summary Report

Enclosed is your Plan Summary Report for the quarter ending 6-30-2017, covering your mix of funds. This past 3-month period ending June 30 was up modestly for the overall U.S. stock market and up solidly for the aggregate international stock markets, and up somewhat for the overall U.S. bond market. Within the U.S. stock market, the diversified stock fund categories (as defined by Lipper investment styles and capitalizations) had returns of between +0.5% & +5.5% for the second quarter. According to Lipper Fund Services, the average U.S. stock mutual fund's second quarter 2017 total return was +2.7%, and the S&P 500 Index was up +3.1% for the second quarter. For the 12 months ending 6-30-2017 the S&P 500 Index was up +17.9%. According to Morningstar™ all of your funds have performed solidly-to-well for both 5 and 10 years relative to similar "peer group" funds. Your passive "index funds" (versus actively-managed funds) strive to mirror their indices' performances at all times -- no more, no less.

Relative to similar "peer group" funds, your fund mix has continued to perform well on average over the past 12 months ending 6-30-2017 – 5 funds within the top 25% of their peer groups' funds and 1 fund within the bottom 25% of its peer group's funds. For the past 12 months ending 6-30-2017 (with the S&P 500 Index up +17.9%) four of your six domestic stock-oriented funds outperformed the S&P 500 Index.[1] For this time period the place to be invested was in small U.S. growth-oriented companies (those stocks of small U.S. companies that lean toward being relatively aggressive) -- considering diversified mutual funds, not "sector" funds. Your top performing stock-oriented fund was the Loomis Sayles Small Cap Growth Fund at a +23.3% total return for the 12 months ending 6-30-2017, and your Templeton Global Bond Fund returned +10.4% for the same 12-month period.[2]

[Note: To put your funds' returns into perspective during the past five years' "up" market conditions, your 7 stock-oriented funds have annualized total returns (compounded each year) of between +8.9% & +15.3% for the past 5 years ending 6/30/2017. This compares to a very robust +14.6% for the S&P 500 Index for the same 5-year period: 3 of your 7 stock-oriented funds either matched or exceeded the S&P 500 Index' return for this 5-year period– all of your domestic stock-oriented funds were above +13.4% annualized (see footnote #1 below to put this into perspective). Your foreign large cap fund lagged dramatically -- most foreign stock funds dramatically lagged U.S. stock funds for this period, see footnote #1 below.]

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1 According to Lipper (7/10/2017 Wall Street Journal), for the past 12 months ending 6/30/2017 all domestic diversified, non-specialty stock fund categories had returns between +13.2% & +22.8%. For the past 12 months the S&P 500 Index outperformed 4 of the 13 diversified domestic stock fund categories. One of your stock-oriented funds is a foreign/international fund. For the 12 months ending 6/30/2017 the International (ex-U.S.) stock fund category was up +19.0%. For the 5-year period ending 6/30/2017 all domestic diversified, non-specialty U.S. stock fund investment categories had *annualized* total returns of between +11.4% and +14.1%. [International (ex-U.S.) stock fund category = +8.0% per year.]

2 According to Lipper, the average intermediate-term (U.S.) taxable-bond fund total return was +0.5% for the previous 12 months ending 6/30/2017.

2nd QUARTER, 2017 PLAN SUMMARY REPORT – BROASTER COMPANY

Prepared by: ***Investment Consultants (an affiliate of Compensation & Capital)***

An Aid in Defining Your "Risk Tolerance" & An Update Regarding Investment Styles

The U.S. stock market has been up dramatically for the past 9-year period. Because no one knows for sure what will happen in the stock market, nor when, I have asked many individual investor clients the following question: First, let's assume that the stock market is going to move 25-30% over the next year or so, but we don't know which way – "up" *or* "down"! Which do you consider more important (or "less troubling") to you: (1) if the stock market drops 25-30% and, *by investing more conservatively* (less in stocks), you *avoid much of the drop*; or (2) the stock market goes up 25-30% and, again by investing more conservatively, you *miss much of the market rise*? Oftentimes two significant variables that affect this answer are one's age and how much savings he/she has already accumulated. For example, if you are young and you need to grow your savings substantially over time, you might be more willing to invest a larger portion of your money in more volatile investments such as stocks, knowing that you have many more years of "up" and "down" markets before you retire. If you are closer to retirement, with substantial savings, safety may be the key.

Next let's look at 14 prominent asset classes[1] (often associated with mutual fund investment styles) for the previous 15 years to see *if we can predict future performance based on past successes*. [Hint – probably not!] These 14 asset classes include various U.S. (or domestic) investments; and foreign (or international) investments [including developed and emerging markets] – across stocks, bonds, cash, real estate investments, and commodities. For the previous 15 years, 8 different asset classes finished 1st on the annual listing. The Emerging Markets stock category finished at the top 5 times, but was at the bottom or second from the bottom 4 times (having a -53.3% return in 2008); and notably, a Bond category (there were three of them) led all categories twice. There were no consistent "winners"; and associated with more volatile categories such as Emerging Market stocks, an investor had to take the risk of big losses in the "down" years (see table below). Because different asset classes and mutual fund investment styles vary so much in outperforming and underperforming one another in different time periods, most long-term investors ***diversify*** by investing in numerous stock and bond investment styles. Although we all like big returns, most of us (& our advisors) are *not* willing to put the bulk of our savings into an investment that can be way up one year and way down the next.

Lastly, below is a table that gives an example of why *many investors "**rebalance**" their investments*[2], particularly those investments which are more volatile, such as Emerging Markets stocks (foreign stocks of countries with less-developed, and often less regulated stock markets, such as Brazil or Vietnam). In "#2 Rebalancing" below, the dollar amount is reset/rebalanced at the end of each year, to a maximum of $10,000 in Emerging Markets stocks.

#1 No Rebalancing	**12/31/2007**	**12/31/2008**	**12/31/2009**	**12/31/2010**	**12/31/2011**
#1. Let's assume that on 1/1/2007 you invested $10,000 in the "MSCI Emerging Markets Index", & you left it there – at **each year end, you would have had**:	**$13,980** [+39.8% return]	**$6,529** [-53.3% return]	**$11,654** [+78.5% return]	**$13,857** [+18.9% return]	**$11,307** [-18.4% return]

#2 Rebalancing – Consider "taking some profits" out of the investment after a strong "up" year.

#2. Below, let's assume that on 1/1/2007 you invested $10,000 in the "MSCI Emerging Markets Index"; but at the end of every year, you took any Emerging Markets investment balances above $10,000 and you put the $ into "cash". On 12/31/2011, you would have had **$4,183, more than above**. [Note: see 12/31/2008 – because the $ in the Emerging Markets investment fell below $10,000 (to $4,670), the "cash" amount of $3,980 (which carried over from 12/31/2007) was put into the Emerging Markets investment on 12/31/2008; so you went into 2009 with $0 "cash" & the 12/31/2008 TOTAL balance of $8,650 was invested in Emerging Markets]:

	12/31/2007	**12/31/2008**	**12/31/2009**	**12/31/2010**	**12/31/2011**
Yearend balance in the Emerging Markets investment:	$10,000	$4,670	$10,000	$10,000	$8,160
Yearend balance in "cash":	$3,980	$3,980	$5,440	$7,330	$7,330
Yearend TOTAL balance:	**$13,980**	**$8,650**	**$15,440**	**$17,330**	**$15,490**

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[1] Source: Morningstar as of 12/31/2016 – categories are based on indices versus peer groups' rankings.

[2] Typically "rebalancing" refers to periodically resetting one's overall balances to predetermined percentage allocations; but for simplicity, resetting to a specific dollar amount (or as close as possible) is used instead in the table below.

BROASTER COMPANY - 2nd Quarter, 2017 Plan Summary Report
Funds' Performances for Periods Ended June 30, 2017

The following report is intended to help you in evaluating your investments [1], and in selecting your mix of mutual funds for the future. The average diversified U.S. stock mutual fund's second quarter 2017 total return was +2.7%; and for the 12-month period ending June 30, 2017, the total return was +17.6%. [For 12 months: the S&P 500 index returned +17.9%; the small-cap stock index returned +24.6% [2]; & the average international (ex-U.S.) stock fund returned +19.0%]. The 3-month total return for taxable bond mutual funds averaged +1.2%, taking the average taxable bond fund total return to +3.7% for the previous 12 months. Lastly, (retail taxable) money market funds' average yield was +0.16% for the previous 12 months. Remember that one quarter does *not* make your retirement investing a success or a failure, nor does it insure success or failure for the next quarter -- investing is a long-term proposition.

	Periods Ended June 30, 2017:		Fund Ranking [4]	
Fund Type	1-Year Total Return *(Growth of $1,000)* [3]	**5-Year Average Return**	**5 Years**	10 Years
Stock-oriented:				
Large Cap Funds:				
(Fidelity Contrafund) *[NASDAQ Code = FCNTX] [LG]* [5]	+22.2% *($1,222)*	**14.6%**	**36**	23
(Vang Total Stock Market Index/Adm) *[NASDAQ Code = VTSAX] [LB]*	+18.5% *($1,185)*	**14.5%**	**21**	13
(Vanguard Equity-Income/Adm) *[NASDAQ Code = VEIRX] [LV]*	+13.7% *($1,137)*	**13.6%**	**24**	4
Mid Cap Fund:				
(Vanguard Mid Cap Index/Adm) *[NASDAQ Code = VIMAX] [MB]*	+17.3% *($1,173)*	**14.8%**	**12**	29
Small Cap Funds:				
(Loomis Sayles Small Cap Growth) *[NASDAQ Code = LSSIX] [SG]*	+23.3% *($1,233)*	**13.5%**	**34**	11
(Vanguard Tax-Mged Small Cap/Adm) *[NASDAQ Code = VTMSX] [SB]*	+22.0% *($1,220)*	**15.3%**	**6**	6
International Fund:				
(T. Rowe Price Overseas Stock) *[NASDAQ Code = TROSX] [LB]*	+22.6% *($1,226)*	**8.9%**	**22**	26
Allocation Fund – 50% to 70% Equity:				
(T. Rowe Price Capital Appreciation) *[NASDAQ Code = PRWCX] [LG]*	+12.3% *($1,123)*	**12.9%**	**1**	1
Bond-Oriented Funds:				
(Harbor Bond Institutional) [6] *[NASDAQ Code = HABDX]*	+2.2% *($1,022)*	**2.8%**	**30**	8
(Templeton Global Bond Adv) [7] *[NASDAQ Code = TGBAX]*	+10.4% *($1,104)*	**3.8%**	**13**	1
(Vanguard Sht-Term Inv-Grade/Adm) *[NASDAQ Code = VFSUX]*	+1.3% *($1,013)*	**2.2%**	**12**	17
Money Market Fund:				
(TD Bank USA Institutional MMDA) *[NASDAQ Code = N/A]*	+0.0% *($1,000)*	**0.0%**	(-N/A-)	

(Endnotes on next page) →

Endnotes:

[1] Remember that past performance is absolutely ***not*** a guarantee of future performance.

[2] Russell 2000 Index. All statistics in this paragraph are from the Wall Street Journal (Source: Lipper).

[3] If an investor had put $1,000 into each fund on June 30, 2016, one year later (on June 30, 2017) each fund would have been worth the amount in italics and parentheses below.

[4] Example -- "35" below means that the fund ranked in the top 35% in investment performance, as compared to funds with a similar investment style or objective, for the 5-year period or for 10 years ending June 30, 2017. This is commonly stated as "the fund ranked in the 35th percentile of its peer group." For percentile rankings, lower is better – a 35th percentile fund outperformed 65% of peer group funds for the timeperiod stated. Data supplied by Morningstar.

[5] The following categories are as defined by Morningstar. Small Cap, Mid Cap, and Large Cap refer to the average size of the companies whose stock is held in the fund. For your stock funds (and the stock holdings of your balanced fund): [first letter] L = Large Cap, M = Mid Cap, S = Small Cap; [second letter] G = Growth, V = Value, B = Blend (Value/Growth). Example – *[LV]* means a large cap, value style. A "Value" style means that typically the fund portfolio manager buys stocks that he/she thinks will both grow in price *and* currently can be purchased at a price that is a good value. A "Growth" style manager focuses on buying stocks that are anticipated to grow in price, regardless of the current price of the stock (that is, even if based on historical standards, the stock price seems expensive already). An "Allocation Fund" is a "balanced fund" that holds a mixture of predominantly U.S. stocks and fixed income securities (e.g., bonds and money market securities). A "Foreign or International Equity" fund holds predominantly non-U.S. stocks, whereas a "World Stock" fund holds non-U.S. and U.S. stocks.

[6] Morningstar categorizes the Harbor Bond Fund as an "intermediate-term bond fund". Over time it is diversified across various bonds, including corporate and government bonds.

[7] Morningstar categorizes the Templeton Global Bond Fund as a "world bond fund". Over time it is diversified across various geographies worldwide.